



Nebraska Sales and Use Tax

For Event Planners
2013

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Today's Agenda

- Nebraska Sales and Use Tax
- Transactions Between the Event Planner and the Third Party Vendors
- Transaction Between Event Planner and Customers (Event Holder) When
 - The Planner Does not Own the Facility
 - The Planner Owns the Facility
- Transactions Between Event Holders and Event Attendees

Nebraska Sales and Use Tax

For more information, see the [Sales and Use Tax Regulation](#) on our website.

Sales tax is...

- ... a transactional tax,
- ... based on the transaction,
- ... rather than the item sold.

Where the item or service is delivered determines the local sales tax rate and to whom the tax is due.

A sale is...

- ... the transfer of title or possession,
- ... of an item or taxable service,
- ... for consideration.

Overview of Sales Tax

- What is a sales transaction?
 - Sales tax is calculated on the gross receipts.
 - Delivery location determines the rate of local tax.
 - Retailers must collect and report sales tax or document why they didn't.

A lease or rental...

...is a sale,

...because there is a
transfer of possession.

Sales tax is due on each payment.

- All sales transactions are presumed taxable.
- Sales tax must be separately stated (with 4 exceptions).

Documenting Exempt Sales


- **Form 13**
- Sellers keep completed copies of Form 13.
- A “blanket” form is valid until it is revoked in writing by the purchaser.

Documenting Exempt Sales

Nebraska Resale Certificate Form 13, Section A

- Purchases for resale
- Items that become a component part of a product to be sold

Form 13, Section A

	Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption • Read instructions on reverse side/see note below	FORM 13
<div style="border: 1px solid black; padding: 2px 5px; display: inline-block;">RESET FORM</div>		
NAME AND MAILING ADDRESS OF PURCHASER		NAME AND MAILING ADDRESS OF SELLER
Name		Name
Street or Other Mailing Address		Street or Other Mailing Address
City	State	City
	Zip Code	State
		Zip Code
Check Type of Certificate <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.		
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason: Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)		

SECTION A — Nebraska Resale Certificate
<div style="text-align: center; font-size: small;">Description of Item or Service Purchased</div> <p>I hereby certify that the purchase, lease, or rental of from the above seller is exempt from the Nebraska sales tax as a purchase for resale, rental, or lease in the normal course of our business, either in the form or condition in which purchased, or as an ingredient or component part of other property to be resold.</p> <p>I further certify that we are engaged in business as a: <input type="checkbox"/> Wholesaler <input type="checkbox"/> Retailer <input type="checkbox"/> Manufacturer <input type="checkbox"/> Lessor of Description of Product Sold, Leased, or Rented</p> <p style="text-align: right; font-size: small;">If None, State Reason</p> <p>and hold Nebraska Sales Tax Permit Number 01-</p> <p>or Foreign State Sales Tax Number State</p>

The IRC § 501(c) Exemption

- Internal Revenue Code (IRC) § 501(c) provides for a **federal income tax exemption**.
- An organization with IRC § 501(c) status is also exempt from **Nebraska income tax**.

Organizations with unrelated business income should refer to revenue.ne.gov.

IRC § 501(c) Exemption


- IRC § 501(c) status **DOES NOT EXEMPT** a nonprofit organization from Nebraska sales or use taxes!
- Nebraska allows certain types of entities to obtain a sales and use tax exemption number.

Nebraska Exempt Sale Certificate

Form 13, Section B

- Specific governmental units
 - [Governmental Entities](#) – Information guide
 - [Reg-1-012C](#) – Entity-based exemptions
- Certain exempt organizations
 - [Reg-1-090](#) – Nonprofit organizations
 - [Reg-1-091](#) – Religious organizations
 - [Reg-1-092](#) – Educational institutions
 - [Nonprofits](#) – Information guide
 - [Nonprofits](#) – PowerPoint slides

Form 13, Section B

 Nebraska Department of REVENUE	Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption • Read instructions on reverse side/see note below	FORM 13
<div style="border: 1px solid black; display: inline-block; padding: 2px 5px;">RESET FORM</div>		
NAME AND MAILING ADDRESS OF PURCHASER		NAME AND MAILING ADDRESS OF SELLER
Name		Name
Street or Other Mailing Address		Street or Other Mailing Address
City	State	Zip Code
City		State
Zip Code		
Check Type of Certificate <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.		
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:		
Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)		

SECTION B—Nebraska Exempt Sale Certificate													
The basis for this exemption is exemption category _____ (Insert appropriate category as described on reverse of this form.) If exemption category 2 or 5 is claimed, enter the following information: <table style="width: 100%;"> <tr> <td style="width: 50%;">Description of Item(s) Purchased</td> <td style="width: 50%;">Intended Use of Item(s) Purchased</td> </tr> <tr> <td style="height: 40px;"></td> <td></td> </tr> </table> If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number. 05 - _____ If exemption category 6 is claimed, seller must enter the following information and sign this form below: <table style="width: 100%;"> <tr> <td style="width: 33%;">Description of Item(s) Sold</td> <td style="width: 20%;">Date of Seller's Original Purchase</td> <td style="width: 20%;">Was Tax Paid when Purchased by Seller?</td> <td style="width: 27%;">Was Item Depreciable?</td> </tr> <tr> <td></td> <td></td> <td><input type="checkbox"/> YES <input type="checkbox"/> NO</td> <td><input type="checkbox"/> YES <input type="checkbox"/> NO</td> </tr> </table>		Description of Item(s) Purchased	Intended Use of Item(s) Purchased			Description of Item(s) Sold	Date of Seller's Original Purchase	Was Tax Paid when Purchased by Seller?	Was Item Depreciable?			<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Description of Item(s) Purchased	Intended Use of Item(s) Purchased												
Description of Item(s) Sold	Date of Seller's Original Purchase	Was Tax Paid when Purchased by Seller?	Was Item Depreciable?										
		<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO										

For more detailed information, refer to the [Form 13 instructions](#).

What is Use Tax?

- Use tax is due when Nebraska sales tax has not been paid on a taxable item or service purchased for use in Nebraska.
- Sales and use tax are not both due on the same transaction.
- The big difference is who remits the tax -
 - Sales tax is collected and remitted by the seller.
 - Use tax is paid directly to the Department by the purchaser/consumer.

Use Tax and Sales Tax Have These Things in Common –

- They are imposed on the same transactions.
- They have the same exemptions.
- They are calculated at the same rate.
 - Where delivery occurs or
 - Where first usage in Nebraska takes place.

- Use tax is often due when purchases are made from an out-of-state seller
 - Internet, catalog, mail order
 - Magazines and journals by subscription
- Use tax is due when the business withdraws tax-free inventory for business or personal use (including donations)
 - Auto mechanic
 - Hair salon

Note: Be sure to maintain good records!

Events and Transactions

- When event planners are hired to plan an activity, they can have transactions with many vendors, as well as with their client.
- We will discuss transactions that occur between:
 - Event planners and 3rd party vendors
 - Event planners and customers (event holders)
 - Event holders and event attendees

Transactions with 3rd Party Vendors

- When purchasing tangible personal property (TPP) from 3rd party vendor:
 - Issue Nebraska Form 13, Section A, to vendor; or
 - Pay the 3rd party vendor Nebraska sales tax and take credit on Form 10.

Transactions Between Event Planner and Customer

The event planner has several options when invoicing their customers for the event.

- Lump sum billing
- Providing professional services and having the customer pay 3rd party vendors directly
- Gross receipts method, where the event planner purchases items tax exempt and charges the customer sales tax on the taxable items

Note: Make sure you have required documents in place for the option you choose.

Example

An event planner is handling all aspects of an event for a fundraising activity in Lincoln.

- The customer is a 501(c) organization that is not exempt from sales tax.
- The event planner will contract with 3rd party vendors for all necessary items, including arranging for:

Hall

Music

Admission

Catering

Silent auction

Decorations

Invitations

Note: Reimbursements are a retail sale between event planner and customer.
Tax must be invoiced and collected.

Example

Lump Sum Billing

Customer's invoice:

Fundraising Event	\$10,000 Taxable (T)
Sales tax (7%)	<u>+700</u>
Total	\$10,700

Example

Customer Pays 3rd Party Vendor Directly

Customer's invoice:

Event Planner Services	<u>\$2,700</u>	Nontaxable (NT)
Total	\$2,700	

3rd party vendors will **directly invoice the customer** for:

Hall Rental (includes tables and chairs)	\$2,000 (NT)
Music	1,000 (NT)
Catering	3,500 (T)
Decorations	500 (T)
Invitations	300 (T)

Gross Receipts Method

- The event planner arranges and pays the 3rd party vendors for all goods and services tax exempt for resale by providing the vendors with Forms 13, Section A.
- The event planner will line itemize the invoice for the customer, including a line item for professional services reasonably associated with the time spent on arranging for each purchase of a good or service.
- The tax is calculated on the gross receipts for each purchase arranged, including the professional service time allocated to it.

Note: If the event planner uses any other method to calculate the tax, it must be reasonable and supported by appropriate records.

Gross Receipts Method – Example 1

Customer's invoice:

Hall Rental	\$2,000.00 (NT)	
Music	1,000.00 (NT)	
Professional Service	+ <u>850.00 (NT)</u>	
Total nontaxable		\$3,850.00 (NT)
Caterer	\$3,500.00 (T)	
Decorations	500.00 (T)	
Invitations	300.00 (T)	
Professional Service	+ <u>1,850.00 (T)</u>	
Total taxable		<u>\$6,150.00 (T)</u>
Total for event		10,000.00
NE sales tax (7% of \$6,150)		+ <u>430.50</u>
Total		\$10,430.50

Sample of event planner's invoice separating taxable and nontaxable charges for professional services

Gross Receipts Method – Example 2

Customer's invoice:

Hall Rental	\$2,000 (NT)	
Music	1,000 (NT)	
Total nontaxable		\$3,000 (NT)
Caterer	\$3,500 (T)	
Decorations	500 (T)	
Invitations	300 (T)	
Professional Service	<u>2,700 (T)</u>	
Total taxable		<u>\$7,000 (T)</u>
Total for event		10,000
NE sales tax (7% of \$7,000)		<u>490</u>
Total		\$10,490

Sample of event planner's invoice with professional services lump sum billed.
If the professional services are not separated for taxable and nontaxable items,
the full amount for professional services becomes subject to tax.

When Event Planner Owns the Facility

If the customer is required to purchase catering or beverage service from the event planner, all charges for the entire event are subject to sales tax.

When Event Planner Owns the Facility

Customer's invoice:

Hall Rental	\$ 3,000	Taxable (T)
Food and Beverage Service	7,000	Taxable (T)
Sales tax (7%)	<u>+ 700</u>	
Total	\$ 10,700	

Transactions Between Event Holders and Event Attendees

When Events Include Retail Sales

- Admissions: **charges, including “suggested donations,”** for the right to have access to, or use a place where amusement, entertainment, or recreation is provided.
- Taxable sales may include:
 - Fundraising events
 - Dancing
 - Awards banquet
 - Prepared food

When making taxable sales at fundraising events:

- Separately state the fair market value if a donation was included;
- Collect Nebraska and local sales taxes on the fair market value; and
- If not stated separately, collect sales tax on the total amount.

When Events Include Sales

Example: Banquet

- An organization holds a fundraising banquet in Scottsbluff.
- The total price of a ticket to this event is \$250.
- The fair market value of the meal is \$50.

Note the difference in the amount of sales tax due depending on how the ticket price is stated:

Meal	\$ 50.00		
Donation	196.50	Ticket	\$ 250.00
Sales Tax (Scottsbluff 7%)	<u>+ 3.50</u>	Sales Tax (Scottsbluff 7%)	<u>+ 17.50</u>
Total	\$250.00	Total	\$ 267.50

When Events Include Sales

Example: Silent Auction

- An organization is holding a fundraising banquet with a silent auction.
- Auction item is Nebraska Husker signed football.
- The fair market value of the football is \$25.

See the difference in the amount of sales tax due depending on whether or not the fair market value is displayed

When Events Include Sales

Example: Silent Auction

The winning bid is \$125.00. The invoice would be calculated as follows:

Method 1

Football (fair market value)	\$ 25.00
Sales tax 7%	1.75
Donation	+ <u>100.00</u>
Total	\$126.75

Method 2

Football	\$125.00	(FMV of football not stated)
Sales tax 7%	+ <u>8.75</u>	
Total	\$133.75	

When Events Include Sales

Example: Mud Run

- A nonprofit organization holds a fundraising mud run where the course is closed to the general public.
- Included with this event, you receive:
 - Admission
 - T-shirt
 - Water bottle

Since the event is being held in a controlled area, the admission is taxable. The fair market value must be determined on the admission, t-shirt, and water bottle and all are subject to sales tax.

When Events Include Sales

Example: Half Marathon

- A nonprofit organization holds a fundraising half marathon on the public streets in Ord.
- Included with this event, you receive:
 - Admission
 - T-shirt
 - Water bottle

Since the organizer cannot control the venue, this admission is not taxable. The nonprofit must pay the sales or use tax on the t-shirt and water bottle.



Thank you!

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